

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Diego Gas & Electric Company (U 902 G) and Southern California Gas Company (U 904 G) for Authority to Integrate Their Gas Transmission Rates, Establish Firm Access Rights, and Provide Off-System Gas Transportation Services.

Application 04-12-004
(Filed December 2, 2004)

**RULING OF THE ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE AND
NOTICE OF PREHEARING CONFERENCE**

Summary

In the May 24, 2005 scoping memo and ruling (scoping memo), the issues in this proceeding were bifurcated into two phases. The first phase addresses the system integration issues. The second phase of this proceeding will address the firm access rights and off-system delivery issues. The scope of issues for this second phase were identified in the May 24, 2005 scoping memo.

A prehearing conference (PHC) will be held on Friday, April 7, 2006 at 10:00 a.m. to discuss the Phase II issues and the procedural schedule for resolving these remaining issues. Interested parties may file a PHC statement on or before Tuesday, April 4, 2006.

Background

San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) filed the above-captioned application on December 2, 2004. The application consists of three proposals. The first proposal is to integrate the

gas transmission costs of SDG&E and SoCalGas, so that a customer of either utility can transport gas from any receipt point on either system at the same transmission rate. The second proposal is to establish a system of firm access rights utilizing transmission zones on the SDG&E and SoCalGas gas transmission system. The third proposal is to provide off-system deliveries to Pacific Gas and Electric Company (PG&E) and to interconnections with interstate gas transmission lines serving California.

In the March 24, 2005 scoping memo, the issues in this proceeding were narrowed and bifurcated into two phases. The system integration issues were addressed in a proposed decision that was issued for comment on March 14, 2006. The Phase II issues will address the system integration issues and off-system deliveries. The scoping memo stated that the date of the prehearing conference to address the Phase II issues would be established after the proposed decision on the system integration issues was mailed.

Notice of Prehearing Conference

A PHC will be held on Friday, April 7, 2006 at 10:00 a.m. in San Francisco to discuss the procedural schedule for resolving the Phase II issues. Interested parties may also file and electronically serve a prehearing conference statement on or before Tuesday, April 4, 2006 that address the topics described below.

The May 24, 2005 scoping memo identified the Phase II issues as follows:

Firm Access Rights Issues

- Should the firm access rights proposal of SDG&E and SoCalGas be adopted, or should the existing “windowing” system of gas nominations and transmission be retained, or should alternative transmission access proposals be considered?
- How does the firm access rights proposal differ from a path-specific system, and what are the advantages and

disadvantages of each system as it relates to the SDG&E and SoCalGas systems?

- Under the firm access rights proposal, what transmission zones will gas suppliers (east or north of California, from California or LNG suppliers) need to secure rights to in order to transport their gas to customers of SoCalGas and SDG&E? (Testimony should describe and/or provide transmission zone scenarios, receipt point capacities, flow diagrams, and potential capacity constraints.)
- Do the proposed transmission zones provide an advantage to LNG supplies that might enter through Otay Mesa using the proposed Southern Transmission Zone?
- Do the proposed transmission zones discriminate against California natural gas producers?
- Should SDG&E and SoCalGas bear some or all of the risk for gas transmission revenues?
- Should backbone transmission costs be unbundled from local transmission and distribution costs, as was done in the Comprehensive Settlement Agreement?
- Should SDG&E and SoCalGas be authorized to use an expedited application process to seek Commission approval of a project requesting new or expanded receipt point access?
- Are there any potential capacity constraints along the Rainbow Corridor (Lines 6900, 1027 and 1028), and what impact will this have on the firm access rights proposal? (*See* Resolution G-3377.)
- Should the Rainbow Corridor be treated as a local transmission line, backbone transmission line, or as a receipt point, and what impact will this have on the firm access rights proposal and the ability to move regasified LNG from Otay Mesa? (*See* Resolution G-3377.)

- Should the peaking rate be eliminated?
- If the Commission adopts a system of firm access rights in this proceeding, when should SDG&E and SoCalGas be required to file their respective BCAPs? (*See* D.04-05-039.)

Off-System Delivery Issues

- Should the Commission adopt the proposal to establish off-system transportation services to PG&E?
- Where should the off-system connection from SoCalGas to PG&E be located?
- Should SDG&E and SoCalGas be authorized to use an expedited application process to seek approval of a project for new, facility-based off-system services, and to determine whether the costs should be rolled-in or on an incremental pricing basis?

The scoping memo and ruling also determined that the following issues will not be considered in this proceeding:

- Gas balancing, diversion, and curtailment procedures.
- Gas storage and hub transactions.
- Off-system delivery to pipelines other than PG&E.

As we prepare to address the Phase II issues, the parties may address in their prehearing conference statements whether the list of the Phase II issues, as set forth in the scoping memo, should be broadened or narrowed. Any party seeking to broaden or narrow a Phase II issue should describe the issue in the prehearing conference statement, and the reason why the issue should be included or removed as a Phase II issue. The parties should be prepared at the prehearing conference to discuss whether the Phase II issues should be broadened to include a new issue, or narrowed to exclude an issue.

The prehearing conference will also discuss whether there is a need for SoCalGas and SDG&E to serve revised prepared testimony, and the schedule for

doing so. In addition, the prehearing conference will also address the schedule for other parties to serve their responsive prepared testimony, and to determine the dates for having evidentiary hearings. Interested parties may address these scheduling issues, along with proposed schedules, in their prehearing conference statements.

Therefore, **IT IS RULED** that:

1. A prehearing conference for Phase II of this proceeding shall be held on Friday, April 7, 2006 at 10:00 a.m. at the State Office Building, 505 Van Ness Avenue, San Francisco.

2. On or before Tuesday, April 4, 2006, interested parties may file and electronically serve their prehearing conference statements addressing the topics described in this ruling.

Dated March 16, 2006, at San Francisco, California.

/s/ Geoffrey F. Brown
Geoffrey F. Brown
Assigned Commissioner

/s/ John S. Wong
John S. Wong
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Assigned Commissioner and Administrative Law Judge And Notice of Prehearing Conference Ruling on all parties of record in this proceeding or their attorneys of record.

Dated March 16, 2006, at San Francisco, California.

/s/ Antonina V. Swansen
Antonina V. Swansen

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, *e.g.*, sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.